

ORIGINAL APS



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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

February 5, 2010

Arizona Corporation Commission
DOCKETED

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Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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RE: Palo Verde Hub to TS-5 Substation 500-kV Transmission Line Project
Docket No. L-00000D-05-0128-00000

To Whom It May Concern:

Arizona Public Service Company's ("APS" or "Company") Certificate of Environmental Compatibility ("CEC") for the Palo Verde Hub to TS-5 500kV Transmission Project ("PV to TS-5") authorized APS to interconnect at one or more of the following locations: (1) the Arlington Valley Switchyard ("Arlington"); (2) a new Harquahala Junction 500 Switchyard – later renamed Delany Substation ("Delany"); or (3) the Palo Verde Switchyard ("Palo Verde"). Although Condition 24 requires APS to "pursue good faith efforts to reach a commercially reasonable agreement for interconnection at a new Arlington Valley 500kV Switchyard and/or a new Harquahala Junction 500kV Switchyard," it also reflects the understanding between the Commission and APS that various factors, such as economics, time constraints, and the ability to negotiate with other entities, would ultimately influence the final decision.

Consistent with Condition 24, APS pursued in good faith a commercially reasonable interconnection agreement at both Harquahala and Arlington. In fact, APS filed a status update on December 30, 2005 that summarized its efforts through that date to reach an agreement for interconnection at Arlington or Delany and explaining that, because the project had been delayed, APS's negotiations with those entities could continue. As APS's December 2005 filing explained, APS first initiated discussions with Arlington and actually drafted a Letter of Intent for use with the Arlington Power Plant owners in June 2005. However, APS ultimately terminated those discussions when Arlington took the position that it would not benefit from the interconnection and that APS would therefore be required to bear the entire legal cost associated with the interconnection (including those costs associated both with the initial agreement and any future contracts).

Unwilling to accept such onerous terms from Arlington, APS turned its attention to an interconnection with Harquahala, an effort that eventually resulted in a Memorandum of Understanding ("MOU"). However, before signing the MOU, Southern California Edison ("SCE"), a key participant in the arrangement due to its exclusive option to use the Harquahala

generator tie line¹, decided that they were not going to pursue the Arizona part of the Devers #2 project, which essentially terminated timely negotiations and the possibility of Harquahala as an interconnection point for the PV to TS-5 transmission line. One viable option remains: an interconnection point at Palo Verde. The Palo Verde interconnection will provide the much needed additional capacity, which will position APS to respond to the many interconnection requests at Delany.

APS's 10-year plan, which it recently submitted, thus reflects Palo Verde as the selected interconnection point for the PV to TS-5 transmission line.

If you have any questions regarding the information contained herein, please contact Jennie Vega at 602-250-2038.

Sincerely,

A handwritten signature in black ink, appearing to read "Leland R. Snook". The signature is fluid and cursive, with the first name "Leland" being more prominent.

Leland R. Snook

LS/sl
Attachments

cc: Steve Olea
Brian Bozzo
Prem Bahl
Ray Williamson

¹ Harquahala built its tie line on ROW and land owned by SCE, and in exchange Harquahala contracted with SCE to give SCE the option to buy the line if they had a need for it within the next 10 years. Thus, Harquahala could not sell APS the line without involving SCE. SCE was interested in the line because they were going to terminate their Devers-Palo Verde #2 line at Harquahala and buy the Harquahala-Hassayampa tie line per the contract.